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Grain in France

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Wheat combining in France. Story about the French grain situation begins this page.

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A continuing upward trend in grain production, the high cost to the EEC Agricultural Fund of exporting high-priced barley, wheat, and corn to third countries, and new IGA minimum wheat prices: All complicate the story of—

GRAIN IN FRANCE

By Harold L. Koeller
U.S. Agricultural Attaché, Brussels

Record 1967 grain crops in France established that country as the granary of the European Economic Community. They also created a difficult and expensive problem for the EEC—the need to find markets for large surpluses of French grains in countries outside the Common Market and to finance these exports.

In 1967, France had the second-largest wheat crop in history and a record barley crop, with large exportable surpluses of both. Since only about one-fifth of the 4.5 million metric tons of wheat exports (including flour) and one-third of the 2.9 million tons of barley exports could be sold to France's five EEC partners (intra-EEC trade), the remainder had to be exported to third countries at high cost to the EEC Agricultural Fund (FEOGA); the subsidy which brings high-priced EEC grains down to the world price level necessary to export the grain comes from this fund. An exportable surplus of corn also added to the cost of the export subsidy program.

The present forecast is for French wheat, barley, and corn production to continue upward. Since other EEC countries also have increased grain acreages, larger exportable surpluses may be available for the 1968-69 marketing year unless feeding of grain is stepped up sharply or grain imports from third countries—now important in West Germany and Italy—are reduced.

The first year of the unified EEC grain market, which began July 1, 1967, passed fairly well for French grain farmers. Many of the anticipated problems failed to materialize, others somewhat unexpected appeared, and some were mollified by the EEC Commission action taken in Brussels at French

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request. Although the French did not find a market for all their surplus grain within the Community, they did increase exports to member countries considerably over the previous year and established new records for sales of wheat and barley, although not for corn. Some problems regarding level of intervention prices in different centers are being reduced or eliminated by changes in levels and basing points, or both, for the 1968-69 crop year.

Since about June 1 of this year France has been issuing export certificates for wheat carrying subsidy or "restitution" payment rates that would make French prices comply with terms of the International Grains Arrangement, which came into effect on July 1 and of which the EEC is a member. Under this Arrangement, the minimum export price of French wheat is that price which results in a price in a third market equal to that of U.S. Soft Red Winter wheat, adjusted for a quality differential of 10 cents a bushel.

EEC prices spur production

There seems little doubt that larger French production of wheat and barley in recent years has been due to a considerable extent to the stimulation of higher prices established by the EEC. Yet, the expansion of area anticipated for both these crops when French prices were raised to the EEC common level occurred only for barley; wheat area was not expanded despite the favorable price and the discontinuance of the tax collected on French wheat (to finance export subsidies) when FEOGA took over export financing.

Most of the increase in grain output in recent years has come from higher per acre yields made possible by improved crop varieties, better land preparation through use of mechanized farming techniques, larger and more rational application of fertilizers, use of herbicides, and advances in harvesting, drying, and handling methods and equipment. An upward trend in per acre yields has been noted since about 1950, but the rate has increased in the last few years. Certainly yields would have continued to increase in the absence of higher EEC prices, but probably not so rapidly.

As shown in the table at right, the total area sown to cereals has not increased in recent years, although there has been a shift of land from oats and rye to barley. The area planted to corn has increased slightly, usually on land formerly in sugarbeets, fodder root crops, or rapeseed.

During the next few years the upward trend expected in grain production will also result mainly from higher yields per acre. Although the area in wheat and barley may increase somewhat, this is expected to take place mainly at the expense of oats and rye acreages. Area in corn is expected to increase gradually.

Wheat exports

In the past 10 years France has become a major world wheat trader, although its exports have varied widely from year to year. In the past 5 years, exports have ranged from 2 million to 4 million metric tons, plus another half million or more tons in the form of flour.

French wheat, like that of other EEC countries, is mainly soft. West Germany and the Netherlands, and to a lesser extent all other EEC members, import large quantities of hard wheat for blending with domestically produced soft wheat to improve its baking quality. The Common Market is also deficit in durum wheat, which is grown in the EEC only in central and southern France and southern Italy.

From its large 1967 harvest, France had about 4 million tons of wheat to export as grain if carryover stocks at the end of the crop year were to be at a normal level of about 1.2 million tons in commercial channels other than mills. Exporting this much wheat was not easy because of the highly competitive world market situation in the 1967-68 marketing year and the tendency for prices to fall during the first three quarters of the year. In addition, French soft wheat is not as easy to sell as competing harder wheats of Argentina, Australia, Canada, and the United States. Normally, its most desirable characteristic is its relative inexpensiveness.

To make the export wheat sales, increasingly large subsidy payments had to be made by FEOGA. Under EEC regulations effective July 1, 1967, governing the common grain market, different subsidy (or restitution) rates could be approved for different destinations; thus subsidies were not limited in amount to the level of the EEC wheat import levy as they were the year before.

France will continue to be a major trader in the world wheat market for the foreseeable future. However, part of the exportable surplus may be disposed of as food aid under the International Grains Arrangement. Also, conceivably,

FRANCE: AREA IN MAJOR GRAIN CROPS, SELECTED YEARS

Year	Wheat	Rye	Barley	Oats	Corn	All grains
	Million acres	*Million acres*	*Million acres*	*Million acres*	*Million acres*	*Million acres*
1900	16.8	3.4	1.9	9.3	1.2	34.6
1925	13.8	2.2	1.7	8.6	.7	28.2
1950	10.6	1.2	2.2	5.7	.7	21.2
1960	10.9	.7	5.2	3.4	1.8	22.7
1965	11.1	.5	5.9	2.7	1.9	23.2
1966	9.8	.5	6.4	2.7	2.4	22.7
1967	9.6	.5	6.8	2.4	2.4	22.8
1968 forecast	10.2	.4	6.6	2.2	2.5	22.8

FRANCE: YIELDS PER ACRE OF WHEAT, BARLEY, AND CORN, SELECTED YEARS

Year	Wheat	Barley	Corn
	Bushels per acre	*Bushels per acre*	*Bushels per acre*
1900	19.2	22.6	16.8
1925	23.8	27.3	23.4
1950	26.5	30.3	19.8
1960	37.2	50.2	54.2
1965	48.6	56.3	62.3
1966	42.1	52.2	71.8
1967	54.4	65.4	58.2
1968 forecast	53.5	62.5	64.0

FRANCE: GRAIN PRODUCTION, SELECTED CROPS AND YEARS

Year	Wheat	Barley	Corn
	Million metric tons	*Million metric tons*	*Million metric tons*
1900	8.8	0.9	0.6
1925	9.0	1.0	.5
1950	7.7	1.6	.4
1960	11.0	5.7	2.8
1965	14.8	7.4	3.4
1966	11.3	7.4	4.3
1967	14.4	9.7	3.7
1968 forecast	15.0	9.0	4.0

more French wheat may be fed in the future—if world wheat supplies are adequate or in surplus, if French exporters find it difficult to sell wheat at the IGA minimum, and if the Common Market finds it less expensive to "denature" wheat for feed use than to bear the subsidy cost of exporting it. In fact, more wheat is expected to be "denatured" in 1968-69 than during the past season.

The export subsidy mechanism

Since domestic grain prices in the Common Market are considerably above the world price level, it is necessary to bring the price of EEC grain down to the world price level if it is to be exported. This is done by providing a subsidy (which Europeans call restitution) roughly equal to the difference between the domestic price in the exporting country and the price at which EEC grain can be sold on third country markets.

An EEC Commission Grain Management Committee meets weekly or more often if necessary at Brussels to decide on the restitution rates for various export grains. They make their decisions after considering proposed rates with justifications forwarded to Brussels by the different member countries. Since France is the principal EEC country producing and exporting grain, French recommendations are given major consideration and are frequently approved by the committee and the Commission.

An example of how restitution prices are estimated, using wheat at the French port of Rouen and prices and costs for one week in June of this year:

Item	Destination		
	United Kingdom	Egypt	South America
	Dollars per metric ton	*Dollars per metric ton*	*Dollars per metric ton*
Price f.o.b. Rouen	112.60	112.60	112.60
Miscellaneous charges	1.00	1.00	1.00
Freight	3.00	6.00	8.00
Price c. & f.	116.60	119.60	121.60
Price of competing wheat	54.50	58.00	57.00
Restitution needed	62.10	61.60	64.60

A similar example for barley:

Item	Destination	
	South America	Japan
	Dollars per metric ton	*Dollars per metric ton*
Price f.o.b. Rouen	94.50	94.50
Miscellaneous charges (insurance)	1.00	1.00
Freight	9.50	13.00
Price c.i.f.	105.00	108.50
Price of competing barley	61.50	60.50
Restitution needed	43.50	48.00

These estimates of restitution rates required to make French wheat competitive on different foreign markets form the basis of the rates finally approved by the EEC Commission.

To the restitution rates for soft wheat there must be added a monthly increment of 95 cents per metric ton beginning in September. For June a total of $9.50 per metric ton would be added. This amount reflects similar increments in the target and intervention prices that are intended to reimburse farmers, cooperatives, and other firms for the cost of storing grain from August to the following June. For rye and durum, the monthly increment rates are 85 cents and $1.05 beginning in September. For corn, barley, and sorghum, the monthly rate is 75 cents beginning in October.

Finally, the EEC Commission decides on "correctives" or adjustments that must be made in the restitution rates effective for prompt shipment in order to determine the restitution rate effective in future months at time of shipment of grain sold for future delivery.

IGA minimum export prices

The French Government and the EEC Commission decided last spring to enforce the IGA minimum price provision to become effective July 1 through their mechanism of export restitutions. At that time, French wheat had been selling well below the IGA minimum price for several months. In May, the French Government and the EEC Commission took action to increase wheat export prices toward the new higher price scheduled to come into effect on July 1.

Restitutions authorized by export certificates were reduced gradually in May and then sharply on May 29. Thus, when the f.o.b. French port price of French wheat for shipment in July or later was reduced by the applicable restitution, it would be slightly above the IGA minimum. However, French exporters took out wheat export certificates in May for about 600,000 metric tons, which were valid until August 31. These authorized restitutions higher than those issued after May 28 and would permit sales and shipments at prices below IGA minimums until August 31 (and October 31 to state-trading markets). On August 1, about 350,000 metric tons of export certificates were still outstanding so that additional sales at prices below IGA minimums could be expected.

The IGA minimum price for French wheat varies by destination, since it is calculated by taking into account the freight cost from the French port to the particular port of destination. For example, the minimum IGA price for French wheat for Norway would be calculated as follows (using prices for one week in June):

	Dollars per metric ton
IGA minimum for French wheat f.o.b. Gulf	55.11
Freight to Norway (estimated).....	6.00
IGA minimum c. & f. Norwegian port	61.11
Freight from Rouen to Norwegian port	—3.00
IGA minimum price of French wheat f.o.b. Rouen (on sale to Norway)	58.11

Some French grain tradesmen fear that French wheat will have difficulty competing with U.S. Soft Red Winter wheat on world markets under IGA terms. They feel that the 10 cents per bushel differential in favor of U.S. SRW over French standard quality is not large enough to take full account of the superiority of U.S. SRW. At the same time, they fear that other exporters of European-type soft wheat that are not members of the IGA will sell at slightly below

(Continued on page 16)

Preview: Farm Trade of the Netherlands

This is the fourth article in a series (see Foreign Agriculture, *Apr. 22, p. 5) on the supplies of and demands for agricultural commodities in key countries. The article summarizes a study done by the Landbouw-Economisch Instituut entitled* Supply and Demand, Imports and Exports of Selected Agricultural Products in the Netherlands *and published in The Hague in 1967.*

The Netherlands is both a major importer and exporter of agricultural products. In 1967 it was the fifth largest foreign market for U.S. agricultural goods and bought US$472 million worth. At the same time, it exported livestock products—primarily to other West European countries—in competition with the United States.

More specifically, the Netherlands exports dairy products, eggs, pork, poultry meat, beef and veal, potatoes, and rapeseed. It imports large amounts of animal feedstuffs and most or all of its natural fibers, tropical products, certain temperate-zone fruits and vegetables, and tobacco.

Dutch agriculture in flux

Important changes have occurred in Dutch agriculture in recent times. A vigorous regional industrialization policy during the postwar economic recovery provided sufficient jobs outside agriculture to absorb the existing concealed unemployment. At the same time, the labor requirement in agriculture was declining and mechanization was increasing.

The number of farms fell by 0.7 percent annually from 1947 to 1955, by 1.9 percent from 1955 to 1959, and by 2.1 percent from 1959 to 1965. Consequently, farm sizes have increased substantially, although still small by U.S. standards. In particular, the number of farms smaller than about 18 acres has dropped from one-half of all farms in 1947 to one-fourth in 1965. Yet, the farm-size structure is not improving at economically desirable rates.

Production patterns have also shifted. During 1953-55 to 1963-65 the following changes occurred in land area devoted to major crops: Wheat, up about 70 percent; feedgrains, down 22 percent; sugar beets, up 11 percent; other crops (mostly pulses and flax), down 18 percent.

Rises in livestock numbers during the decade were: Cattle, up 23 percent, including a 13-percent increase in dairy cattle; hogs, up 57 percent; and poultry, up 47 percent. This climb in livestock numbers—largely on small, mixed farms—was partly because livestock production can employ family labor. Family labor does not have as smooth an outflow as that of hired workers. The still less-than-optimal farm-size structure is likely to encourage further expansion of hog and poultry production, in particular.

The rapid rise in incomes in the Netherlands and neighboring countries during the 1950's and 1960's increased the consumption of livestock products relative to other agricultural products. Dutch farmers, specializing in livestock, expanded output faster than the increase in domestic demand and also faster than farmers in adjacent countries. Dutch agriculture turned to export markets. Total agricultural (including horticultural) output increased by 45 percent in the Netherlands compared to 25 percent for the entire EEC from 1953 to 1962.

Role of the EEC

The agriculture of the Netherlands has long depended on imports of certain raw materials (for example, animal feedstuffs) and on export markets for disposing of more highly processed agricultural products (for example, cheese and poultry meat).

The creation of the European Economic Community (EEC) and the evolution of its common agricultural policy (CAP) will have profound effects on farming in the Netherlands. Within a more integrated and larger economic unit, Dutch agriculture may evolve quite differently than it would have independently. As the CAP's price provisions and regulations are gradually implemented, prices of important farm products and inputs and relations between prices of various commodities are being transformed. Thus, the competitive position of Dutch agriculture relative to the agricultures of other EEC countries is being radically changed.

Methodology

Since EEC prices of farm products and inputs will greatly influence the future direction of Dutch agriculture, this study's projection's of future supply and demand are based on estimates of the market situation and price policy of the EEC during the next few years. However, uncertainty about the development of EEC agricultural production, the location of the production, the development of consumption, and the influence of the CAP on both consumption and production have led to alternative estimates for prices in 1975 and have made projection difficult.

Two price alternatives were selected. For the first alternative (identified in the tables as A), it was assumed that ECC policy would achieve an average level of farm prices sufficient to increase the labor income per person of the active agricultural population as fast as the assumed rise in general wages. For this alternative, the existing gap between farm and nonfarm incomes was considered as continuing.

For the second alternative (identified in the table as B) it was assumed that farm incomes would rise more slowly than nonfarm wages so that the disparity between rural and urban incomes would become greater. In other words, average farm prices would have less increase.

The alternative price levels the study estimates for 1975 are linked to other assumptions about future prices and EEC policy. For example, some farm products produced domestically will become or continue to be in demand as imports. For these products prices are assumed to rise. Higher prices and an increased gap between EEC and world prices will contribute increased income from import levies to support agriculture in EEC countries. Other products are either in surplus already or probably will be before 1975. For these, prices are assumed to fall in relation to farm goods in import demand. EEC financial support of surplus commodities would entail an increasing expenditure of internal funds for support buying and export subsidies. Polit-

ical opposition to allowing prices of surplus products to increase would be great.

Other major study assumptions are:

- A continued favorable economic situation with a regular rise in national income per capita in the Netherlands and in the EEC.
- A regular rise in the general price level in the Netherlands and the EEC and constant exchange rates between EEC countries.
- No early change in EEC membership.
- Relatively free trade in farm products inside the EEC before 1970.
- Continuation of the EEC objective of higher farm-product prices to provide better incomes for farm populations.
- Relatively low prices for farm products on the world market.

To project future production patterns, the study attempts to relate those factors determining a farmer's output of major crops or livestock products. For crops, factors considered were: The expected total crop area, return per acre for a crop, the comparative returns for other crops, farmers' traditions and habits, crop rotation requirements, types of soil, farm sizes, mechanization, and specialization. For livestock, production patterns are less dependent on area, so factors evaluated were: The existing livestock population or its output, the gross return minus feed cost per animal or per unit of animal product, the expected general development of agriculture in the country, and the labor supply in major producing areas.

Projections of demand for farm products are based on the following expected changes from 1965 to 1975: A 16-percent increase in population in the Netherlands, a 30-percent rise in the gross national product per capita (1965 prices), and a 49-percent increment in private consumption of all types of goods. Changing consumption patterns for farm products were also considered. For example, use per capita of domestically grown crops is holding steady or declining—but use of livestock products (except buter and milk consumed directly) is increasing.

Commodity projections

Wheat imports are expected to decrease from the 1964-65 level. They will probably fall for a few years because of expanding domestic production and because wheat will no longer be fed to livestock. While per capita consumption of bread is expected to drop, consumption of specialty bakery products should increase. By 1975 wheat production in the Netherlands may have stabilized and imports may be up slightly from the low of the late sixties.

Feedgrain imports are expected to increase because of intensified livestock and poultry operations. Because of substitutibility, separate estimates were not made for individual feedgrains. No attempt was made to project the extent to which other livestock feedstuffs (such as tapioca, corn gluten, and beet pulp) might be substituted for grain. Projections of possible replacement of feedgrain imports from non-EEC countries by imports from member countries (especially

PROJECTION OF NET TRADE IN MAJOR FARM PRODUCTS, 1964-65 TO 1975
[Minus (−) indicates import requirements; plus (+) indicates export availability]

Commodity	Average of 1963-64, 1964-65	1975A	1975B
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
Crops:			
Wheat	−543	−381	−381
Feedgrains	−2,782	−3,876	−3,866
Potatoes	+1,606	+2,072	+2,072
Sugar	−163	−220	−221
Rapeseed	+8	+14	+14
Livestock products:			
Milk products:			
Cheese	+106	+135	+135
Condensed milk	+335	+325	+325
Dried whole milk	+35	+35	+35
Dried skim milk	−67	−73	−83
Butter	+31	+88	+83
Beef and veal	+15	+12	+8
Pork	+94	+200	+202
Broilers	+57	+129	+128
Eggs	[1]+1,517	—	—
Oils, fats, and oilcake:			
Oils and fats	[1]−440	−505	−505
Oilcake	[2]−479	−1,193	−1,193
Foreign products:			
Rice	−72	−75	−75
Oranges	−211	−328	−328
Tobacco	−42	−55	−55
Cotton, raw	−91	−105	−105

[1] Calendar years 1964 and 1965.
[2] Crop years 1964-65 and 1965-66.

RATIOS OF PRODUCER PRICES FOR SELECTED COMMODITIES TO THE PRICE OF BARLEY, 1962, 1965, 1967, AND FORECASTS FOR 1970 AND 1975 [1]

Year	Wheat	Barley	Rye	Oats	Corn [2]	Sugar-beets [3]	Pota-toes [4]	Rape-seed	Milk [5]	Beef cattle [6]	Calves [6]	Hogs [7]	Broilers [6]	Eggs
	100 kg.	*100 kg.*	*100 kg.*	*100 kg.*	*100 kg.*	*Metric tons*	*100 kg.*	*100 kg.*	*100 kg.*	*100 kg.*	*100 kg.*	*100 kg.*	*100 kg.*	*Hun-dreds*
1962	114	100	92	96	—	194	48	144	103	614	855	781	618	36
1965	113	100	93	94	—	208	62	132	104	728	986	788	518	41
1967	115	100	99	95	103	210	48	197	115	742	1,045	935	581	40
1970	113	100	97	93	105	205	47	195	113	745	1,050	875	546	40
1975A	110	100	95	90	105	200	46	190	110	745	1,100	850	540	41
1975B	105	100	90	85	105	190	44	180	105	745	1,100	836	537	40

[1] Index of barley price for any year is 100. Other commodity index numbers equal the commodity price for the year divided by the barley price. Nominal producer prices may be approximated by multiplying an index number by a nominal barley price (in guilders) for the appropriate year (1962, 27.06; 1965, 31.83; 1967, 31.00; 1970, 33.70; 1975, 36.50) and dividing by 100. Indexes for 1967 are derived from price objectives established by the EEC rather than actual or estimated prices. [2] Derived from threshold price for July, c.i.f., Rotterdam. [3] Sugar content 16 percent. [4] Potatoes grown for food, excluding early potatoes and starch potatoes. [5] Containing 3.7 percent butterfat. [6] Liveweight. [7] Carcass weight.

France) were not made either.

Exportable *potato* supplies are expected to be considerably greater by 1975 because of rising production and declining domestic consumption. Increasing *sugarbeet* production will probably be equaled by growing domestic sugar consumption for a few years. Between 1970 and 1975, however, the import requirement is expected to rise about 34 percent. *Rapeseed* output is expected to continue to expand sharply, and most of it will be exported.

The projected rise in *milk* production through 1975 coupled with decreased domestic butter consumption will make more butterfat available for export and aggravate the already serious disposal problem of the EEC. Although use of skimmed milk is expected to increase, domestic use will not keep pace with output. Larger quantities will be available for producing dairy products for export. Notably, more cheese will be exported. However, imports of dried skim milk are expected to continue and even to increase because of demand by the mixed feed industry and requirements for producing dairy products for export.

Pork and *poultry-meat* supplies available for export are projected to rise sharply until they are about one-fourth of total meat output in 1975. Outgoing trade in *veal* and *beef* is expected to decrease even though production grows rapidly because of the marked increases projected for domestic consumption.

Egg exports will probably be drastically reduced by 1970 and nonexistent by 1975 as output is curtailed in response to prices below traditional levels.

Imports of *oils and fats* are projected as greater because of increasing industrial and feed use. Human consumption of oils and fats is increasing only slightly in the Netherlands. Imports of *oilcake* and *oilseeds* for crushing are expected to jump as livestock feed demand grows. Exports of oilcake and oil from domestic soybean-crushing plants are also expected to increase.

In general, imports of products not grown in the Netherlands are expected to increase, though not equally for all types of goods. *Rice* quantities will be up only slightly. *Orange* imports will rise sharply, while gradual growth is expected in *tobacco* buying. Greater use of *cotton* for textiles, both those marketed domestically and those exported, will lead to increased imports of raw cotton.

—ROBERT E. SHEPHERD
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A New Wheat Problem in Greece This Year

Greek wheat growers, who not too long ago were suffering the low prices and marketing problems that accompany overproduction, have found themselves in quite the opposite situation this year. Drought has reduced their wheat crop to such a degree that for the first time in 2½ years Greece will be all but out of the wheat export market.

Up until April, Greece had been expecting a good wheat crop of around 2.1 million metric tons. However, in that month began the dry weather conditions that led to reduction in crop quantity and quality. The drought lasted until the end of May. Rains that followed in June came at the wrong time, reducing yields and leaving the grain with an extremely high moisture content.

As a result, the Ministry of Agriculture is now estimating a harvest of only about 1,570,000 metric tons, including 1,235,000 of soft wheat and 335,000 of durum. The quality of the latter type is questionable. According to information from reliable sources, it is doubtful whether more than about 135,000 tons of durum—the amount required for semolina and other products—will be available for this use. Because of the high percentage of chalky kernels, the remaining 200,000 tons may possibly be graded as suitable for feed and export. Under such circumstances, it is felt that sooner or later the Greeks will have to consider two alternatives; (1) To export lower quality surplus durum, (about 88,000 tons are available) at a price considerably lower than that for good durum and import a corresponding quantity of Hard Winter; (2) To utilize part of this durum for the production of flour for the domestic bread industry.

If the Greeks select the second alternative, exports are expected to be negligible, especially since carry-in stocks had been reduced to a 2½-month supply by heavy exports in the previous season.

Greece's wheat crop this year provides a sharp contrast to those of a few years earlier. From 1964 to 1966, the country's problem was surplus wheat production plus accompanying marketing difficulties. These prompted abortive attempts by the government to reduce production of wheat to a level of self-sufficiency and also forced it to export wheat at a loss. Between January 1966, when Greece started exporting wheat, and June 30, 1968, the country shipped out 1,004,609 metric tons of wheat, of which 599,879 tons were of soft wheat and 404,730 of durum.

Agribusiness To Help Exports

A newly-formed Agribusiness Industry Advisory Committee, organized under the auspices of the Departments of Agriculture and Commerce as an aid to exports, will hold its first meeting in mid-September.

The Committee will provide for a broad exchange of ideas between industry and government, with a view to developing programs for expanding U.S. exports of agricultural commodities and of industrial products that are used by agricultural and related industries. The double object of this export expansion will be to earn additional dollars, thereby improving the balance of payments situation, and to alleviate the world hunger problem.

The Committee's work will not only be of benefit to the United States but will also enhance the production, processing, and distribution of agricultural products in areas of the world that now have comparative deficits of both farm inputs and food.

The operations of the Committee will involve close teamwork between the U.S. Government and private businessmen —especially businessmen involved in food processing or packaging, agricultural chemical manufacture, fiber processing, and farm machine and tool production.

Overseas assistance has been an important element in the drive to build a sound economic base for the newly independent Somali Republic.

Somalia's Growth Depends on Its Farms

By H. CHARLES TREAKLE
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It has been said that the only comparatively easy thing about Somali independence was achieving it. For on becoming independent, Somalia was faced with a host of problems—some common to emerging nations, some unique.

Among the unique problems were the continuing border difficulties that have occurred because the existing boundaries left by former colonial powers cut across traditional tribal grazing lands and routes to water. This easternmost nation of Africa, which covers some 240,000 square miles of an area often referred to as the Horn of Africa, was divided by its colonial history into southern and northern regions. Following World War II, in 1950, the southern region, which had been Italian Somaliland, became an Italian Trust Territory, while the northern region continued to be administered as a British Protectorate. These two regions were joined in independence July 1, 1960.

The Somali Republic began its national life as a land of tribal groupings who were directed and instructed by warrior chiefs, mullahs (religious men), and poets. The leaders guided and instructed in the Moslem faith, tribal customs, and the art of storytelling, at which they excel. History was passed on by word-of-mouth, since the Somali language had no written characters. With some notable exceptions in the plantation areas and in urban centers, the land was practically undeveloped when it became independent.

Foreign aid pours in

Independence brought on a volley of offers of assistance from all around the globe. The Somali Republic has received foreign aid in the form of grants and long-term loans, and on a per capita basis Somalia has been one of the largest recipients of external assistance of any of the developing countries in the world.

The main sources of grants have been Italy, the United States, the United Kingdom, the United Nations, and the European Economic Community. Long-term loans have been made principally by the USSR, West Germany, Mainland China, Italy, and Saudi Arabia. Some assistance has also been provided by the United Arab Republic, Czechoslovakia, and others.

External aid and financing were needed and fortunately provided for hospitals, radio stations, textile mills, agricultural experiment stations, government payrolls, and a plethora of other necessities. Most urgent was the need to establish a base on which the newly independent country could develop a viable economy.

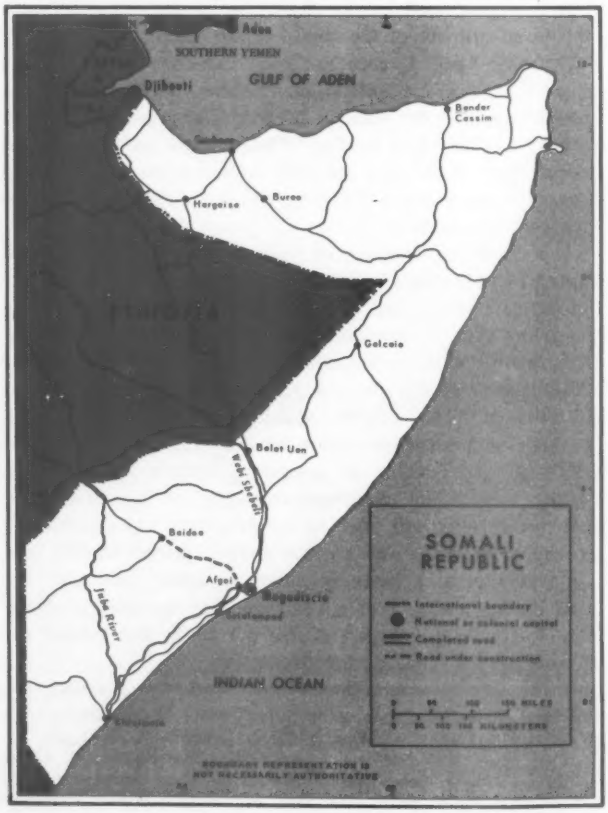
Partly because of the apparent lack of important potential in mineral wealth and partly because of the native and colonial agriculture, most of the foreign development experts appear to have agreed that Somalia's salvation from economic difficulties would be found in a further development of agriculture.

Agriculture played and still plays the dominant role in the economy. Pastoral activity and some subsistence farming is the way of life for most of the people. Agricultural products, and particularly livestock, bananas, gums, and resins, account for more than 90 percent of all exports. As in many other developing countries productivity of these items needs considerable improvement.

Extreme weather conditions

The land itself is a challenge, and except for a flash of green following rain or in irrigated areas it is parched and arid with scattered brush of only the hardiest vegetation. Severe droughts are frequent, and the rain that falls is scattered and sporadic. Temperatures are equatorial, and there are high seasonal monsoon winds from November until April and from May until October. The two pauses of about 40 days each—called "tanga-bili," which means "between the monsoons"—are hot periods with oppressive humidity.

Agricultural development from 1960 had to focus on a few



critical areas. The going livestock industry had to be improved. Existing tribal livestock only meagerly supported a large sector of a total population of about 2 million. Also, settled farming was at subsistence levels and plantations were faltering. Greater use had to be made of water in the ground and in the two main rivers, the Juba and the Webi Shebeli, which move southward from Ethiopia to the Indian Ocean.

Infrastructure improvements begun

To improve the agriculture meant the tackling of a wide variety of projects, many of which were new to Somalia. Some of the most urgently needed improvements included well drilling, introduction of new plant varieties, and the training of agriculturalists to teach newly settled farmers. Other urgent needs were improvements in irrigation, the establishment of experiment stations, and the improvement of transportation facilities and communications. In Somalia there are no railways. What roads there are consist mainly of tracks, usable only in dry seasons. Since both roads and deeper ports were needed for marketing and commerce, these were given high priority in the long-term goals to improve the country's agriculture.

In the southern riverine areas the Italians had developed a plantation type of agriculture, growing mostly sugar and bananas. The bananas were marketed in Italy by a now defunct monopoly. This area was one of the first to be improved by road projects.

The European Development Fund, which provided financing for a number of projects, financed a road from Afgoi to Scialampod. West Germany also earmarked a sizable amount for roadbuilding, from aid for development amounting to about $8.7 million. Recently the International Development Association (IDA) has announced supplemental credits of some $2.3 million for use to help complete construction on a 125-mile, two-lane, all-weather road between Afgoi and Baidoa.

This road will pass through the most important grain growing area in Somalia, which accounts for two-thirds of the country's cropland of roughly 990,000 acres. The presence of this highway should encourage food crop production, as it will reduce the costs of transport to Mogadiscio, the capital and largest consuming center. This area also has promise of mineral resources, which are now being investigated with the assistance of the United Nations Development Program (UNDP).

Construction of this road is part of a comprehensive approach to solving Somalia's transport problems, a second step that has followed extensive highway development costing $13.5 million.

Countries that have helped

Until 1964 the British had joined with Italy in meeting Somalia's budget deficits. In 1964 Mainland China helped for a year, then West Germany assisted with the budget and development projects. The Soviet Union has established state farms and meat processing plants and helped with hospital construction, with its financial assistance to the Government of Somalia.

To open up Somalia to world shipping, the port at Chicimaio has been developed for deep-water docking. The first phase of U.S. assistance for this port amounted to some $9 million and a second phase to about $6 million, to provide a water supply and ancillary storage facilities. Also a U.S. loan has been made for improvements in the port of Mogadiscio.

The Russians have been developing a deep water port at Berbera, which is an important export point for livestock. The United States Agricultural Center—the Wyoming Research Station—is at Afgoi on the Shebeli. The West Germans also have a center, and there is a Farmer Training Center, located at Baidoa.

The Wyoming program has a full schedule of research in progress on upland rice, peanuts, sweet potatoes, onions, corn, sorghum, and several varieties of citrus. The program is geared for diversification, both for domestic use and for expanded exports. Projects are underway to lessen the country's dependence on bananas—now accounting for some 50 percent of export revenues—because the fruit has encountered difficulties in deliveries to its Italian buyers. The closed Suez Canal has required costly shipping around the Cape of Good Hope and spoilage has been high.

Other planned and in-progress U.S. assistance includes a loan of $2 million to Somalia to be utilized in financing the purchase of goods, equipment, and services imported from the United States. This will assist in establishing development credit through a commercial and development bank, Credito Somalo. The United States is helping the government set up an effective water resource organization and assisting with a potable water system for Mogadiscio. There are also programs for educational improvement and public safety. In March 1968 the first P.L. 480 sales agreement was signed with Somalia; it provided for the sale of wheat flour and vegetable oil.

Agriculture gets largest share

Expenditures for development projects in both the public and private sectors between independence in 1960 and the first of January 1967 have totaled $88.4 million. This was only about 55 percent of what was available and scheduled to be used in the first Five-Year Development Plan. About a quarter was spent on agriculture and water development and about a third on transportation facilities which benefit farm-to-market shipping.

The first Five-Year Development Plan, which extended from 1963 through 1967, although missing the goal originally planned, laid a foundation for agriculture. The primary emphasis for the agricultural sector was to bring new areas into production by canal and pool irrigation. State farms were expanded and some settlement of nomads was accomplished. The Land Service began registration of land, and there was some strengthening of the marketing system for foodgrains.

Somali officials believe the 5-year plan missed its stated targets because of a shortage of skilled managerial and technical personnel and insufficiency of both internal and external resources. In view of this, the government has prepared a short-term plan designed to achieve goals of the most immediate urgency—an increase of food production toward self-sufficiency; improvement of livestock for export and internal use; improvement of banana production to a level competitive in the international market, diversification of agriculture with new cash crops for export, such as rice, cotton, and oilseeds.

Farm Minister speaks on

West Germany's New Agricultural Program

The Kiesinger Government's first complete statement on agriculture received the approval of the West German Cabinet and was presented to the Bundestag earlier this summer.

Spelled out by Minister of Agriculture Hermann Hoecherl, the government's new farm policy calls for a sweeping program to integrate farm and rural communities into the national economy, establish a market promotion organization, and improve the country's financial position vis-a-vis the European Economic Community. The exact extent of the program, as well as the time required to put it into effect, will be determined by the amount of financing made available. As the first step toward getting the necessary funds, the government will submit to the Bundestag proposals for revising the agricultural budget in line with the new program and EEC policies.

In opening his statement Minister Hoecherl pointed out that German farmers since World War II have raised food production by 60 percent, at the same time reducing the farm labor force by more than half. Farm labor productivity between 1950-51 and 1955-57 increased by about 250 percent. In spite of these accomplishments, he claimed, the majority of German farms are being denied incomes comparable to those in industry—a central problem of agricultural policy in all highly industrialized societies. This farm-income lag has resulted primarily because:

- Demand for food is increasing more slowly than disposable income.
- The growing application of technical progress tends to increase supplies and thus reduce prices.
- The mobility of the major production factors—land and labor—is insufficient, so that for the majority of the farms an optimal combination of factors is difficult, if not impossible.

Problem vis-a-vis EEC

These problems have been quickly and decisively aggravated for German agriculture with completion of the EEC market. Whereas domestic production covers only 75 percent of German food needs, production in the Community as a whole has already reached or surpassed the self-sufficiency level for all important products. The situation becomes more precarious, according to the Minister, when one considers that the EEC agricultural countries still have remarkable production reserves. Those countries have time and again made European unification dependent upon progress in the common agricultural policy because of their particular interest in opening up the German consumer market for foods—the second largest in the world—for their agricultural surpluses, at the same time deburdening their national agricultural budgets through common financing. This has brought growing pressure on the market, reduced prices, and an increased financial burden on Germany, largest contributor to the EEC agricultural fund.

For these reasons, the Minister said, German farmers are justly looking to the future with concern, especially because the current farming year has brought a 10- to 15-percent reduction in EEC grain prices and a drastic cut in adjustment aid, as well as unusual drops in prices of a number of farm products because of cyclical surpluses and lower demand.

The proposed new farm policy aims to seek a reasonable compromise between farmers' demands for higher incomes and an appropriate social status and the just desire of the consumer for adequate supplies of food at favorable prices. At the same time, it takes into account what the Minister described as "the economic necessity of maintaining an appropriate foreign trade as a condition for a healthy economic growth and thus for an improved market potential for agriculture" (free translation).

Policy proposals

Policies for implementing the proposed program fall into three categories: structural, market, and price policies.

Minister Hoecherl called structural policy the core of the farm program. He envisions a policy not restricted to farms alone, but one that would cover all sectors of rural life so that the rural population can be integrated economically, socially, and culturally into the rest of the society. Above all, he believes government policies should offer owners of farms with productivity too low to yield a reasonable standard of living the possibility of various job alternatives. In Germany, he pointed out, these farms account for 80 percent of all agricultural holdings.

The proposed structural program would include coordination of transportation, education, and economic policy within the frame of extensive regional programs, as well as specific farm programs like land consolidation, water control, and investment aid. People desiring to leave the farm would hopefully be offered alternative employment in their home communities through establishment of a variety of agricultural-industrial businesses. To facilitate the move from the farm, the Minister called for aid programs such as training and retraining. He also mentioned pensions and premiums to be paid to aged farmers who want to give up farming. In addition, present programs of investment and other structural-improvement measures that have proved effective would be continued.

Because this structural program cannot be carried out by agricultural policy measures alone, the Cabinet has established a committee—to be presided over by the Chancellor—comprised of all the Ministers whose offices touch on social and economic problems—a grand total of nine.

Marketing policies under the new program will focus on making German agriculture more competitive with that of other members of the EEC who, being traditional exporters of farm products, have developed effective sales organizations. To this end, the Minister proposed that the Federal Government, the States, and the food and agriculture industries negotiate to establish an organization for the promotion and marketing of farm and forestry products.

Price policy under the proposed new program will focus primarily on negotiations within the EEC. In upcoming EEC price discussions, the German Government will urge emphat-

ically that present price levels for milk and sugar—in rather large surplus within the Community—be maintained even though pressure for reductions is growing. At the same time, the government realizes that the limits of price policy for these surplus commodities have been reached, that the cost of financing the surpluses is getting too high, and that, political motives aside, no price increases can be granted until demand again reaches supply. For all other commodities, the German Government will approve price increases to adjust as much as possible to the trend in costs, depending on Community demand and foreign trade requirements.

Germans Decry EEC Farm Costs

West German officials and economists are expressing increasingly strong opposition to the high cost of EEC farm policies, especially for dairy products. According to revised estimates released recently by the German Ministry of Finance, expenditures of the European Agricultural Guidance and Guarantee Fund have risen sharply and are projected to increase even further (see table and *Foreign Agriculture*, June 17, 1968). Of the six EEC members, Germany contributes most to the fund.

The Guidance section finances efforts to improve the agricultural structure. Since expenditures for this section are limited to $285 million annually in fiscal years 1968 through 1970, the concern about rising costs focuses primarily on the Guarantee section, which finances support buying and pays subsidies on exports to third countries.

EXPENDITURES OF THE EEC AGRICULTURAL FUND [1]

Item	1965-66	1966-67	1967-68	1968-69	1969-70
	Mil. dol	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*
Guarantee section:					
Grains	120.35	136.50	535.00	587.50	587.50
Pork	14.50	15.25	40.00	65.00	65.00
Eggs	1.25	.70	2.00	2.50	2.50
Poultry	2.10	2.75	5.00	5.00	5.00
Rice	.05	.75	7.00	11.25	11.25
Dairy products	98.00	131.75	370.00	975.00	1,270.00
Beef	0	0	2.00	52.50	52.50
Fruit, vegetables	0	.05	29.00	30.00	30.00
Olive oil, grape kernel oil	0	79.25	147.00	147.50	145.00
Oilseeds	0	0	48.00	50.00	50.00
Processed products	0	0	18.00	0	0
Sugar	4.00	3.50	110.00	310.00	310.00
Proc. fruit, veg.	0	0	0	0	0
Inedible horticultural products	0	0	0	0	0
Tobacco	0	0	0	0	100.00
Wine	0	0	0	0	125.00
Fishery products	0	0	0	0	(2)
Total	240.25	370.50	1,313.00	2,236.25	2,753.75
Guidance section	80.00	123.50	285.00	285.00	285.00
Total Guid. and Guar. sections	320.00	494.00	1,598.00	2,521.25	3,038.75
Special sections	0	0	208.25	140.25	69.25
Total Fund expenditures	320.25	494.00	1,806.25	2,661.50	3,108.00

[1] Projections through 1969-70 by German Ministry of Finance.
[2] Undetermined.

West German Farmers Union Welcomes New Farm Program

The West German Farmers Union has hailed, with some reservations, the Administration's proposed farm program (see previous page) as the Federal Government's first attempt to develop a complete policy for agriculture that takes in its relationship to the entire economy. At a press conference a few weeks after the program was announced, union spokesmen urged that the proposals be followed by action and promised constructive cooperation.

Overall, the union regards the new program as a first step toward improved understanding of agricultural problems in nonagricultural circles. For the first time, the farm leaders agreed to the promotion of industry in agricultural areas, pointing out, however, that the regional-development policy advocated by the government could only be effective in the long run. This change apparently was brought on by reconsideration of the effects of EEC membership on German agriculture and of the increasing financial burdens on the public budget.

Acknowledges EEC benefits

Recognizing that for reasons of an integrated policy the Federal Government yielded to the farm-policy demands of the surplus countries within the EEC, the union acknowledged that Germany's agriculture is reaping great benefits from the tariff reductions and other successful integration policies, which it owes partly to the progress of the common agricultural policy.

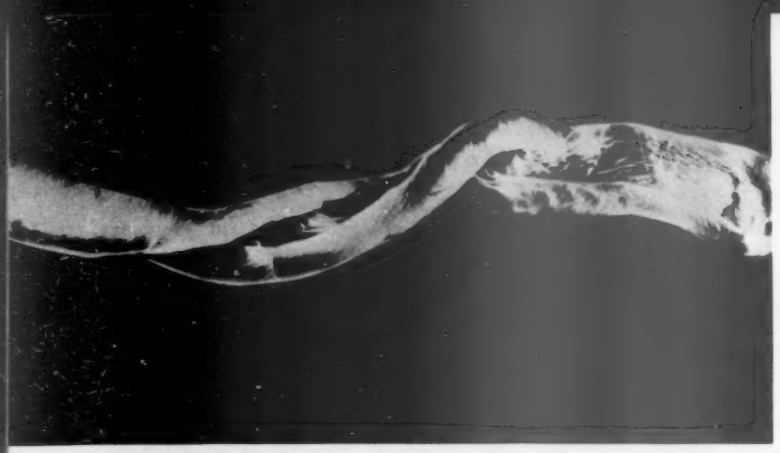
The union's reaction was not uncritical, however, as it found unacceptable the government's position on price policy, claiming that no positive proposals had been made. It also pointed out that some policies it considers important were omitted from the program altogether.

Even though price policy is decided on in Brussels, the union said it expects the government to develop some concrete ideas for negotiations within the EEC, taking into consideration costs to German agriculture. It also expects the government to realize the price increases demanded by the membership resolution of June 10. These included restoration of the German grain-price level, an increase in feedgrain prices to the wheat-price level, protection of the milk target price, and increases in the beef guide price and the basic hog price. Furthermore, it claims, the price policy should be supplemented with direct quantitative adjustment of production to the capacity of the market.

Omissions bring disappointment

Looking at omissions, the union expressed disappointment that the program does not include full compensation for losses resulting from the grain-price reduction, originally provided for in the EEC Adjustment Act, and concrete measures for removal of distortions in competition in the EEC.

The union is anxious about implementation of the program, regretting that the government has so far only approved it in principle and that its extent will be determined in accordance with long-range financial planning. It feels that unless the means for implementing the program are appropriated soon so farmers can see concrete action, the program must be regarded as bogged down in the beginning.



Within this twisted rope—a single cotton fiber, magnified over 500 times—lie uncounted possibilities from the fiber's own characteristics plus those research and technology can combine to give it. IIC projects may help unlock new fiber secrets.

IIC Research–Bringing Out Cotton's Best

In its August 5 issue, **Foreign Agriculture** ***set forth the two main ways in which the International Institute for Cotton works to uphold cotton's position on the world market—promotion and research—and dealt with the promotion side of the IIC program. Here is the research side.***

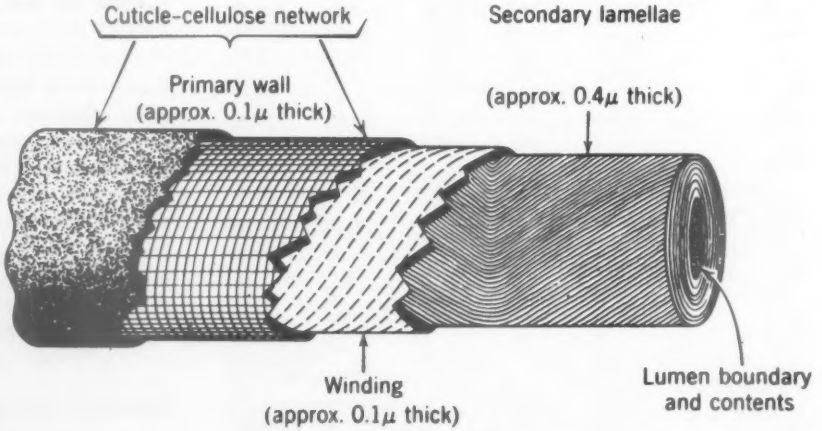
The IIC believes that besides telling the story of what cotton can offer as an apparel and household fiber, it must add new chapters to that story—give cotton even more to offer, through supporting research to improve its performance.

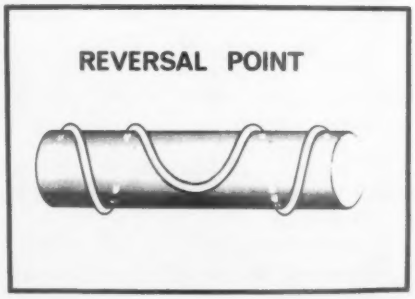
Nature has been good to cotton, giving it clear superiority in most of the basic properties an apparel and household fiber needs. No other is so versatile, so coolly comfortable, so absorbent, so washable, so bleachable, so quick to take brilliant color, yet so color-fast. But today's young businesswomen and housewives, who shop for most of the world's apparel, want more. Specifically, they want minimum care, including durable press—the main promotional theme of the manmade fiber industry.

In recent years, through various chemical finishes, cotton has been given much greater ease of care. But it has had to sacrifice a certain amount of the strength and wear-life that is its own by nature. Thus, the IIC is concentrating its technical research forces at this soft point of cotton's defense.

Much work has already been done on this problem by individual finishing companies, chemical manufacturers, and textile research organizations—public and private. But much more needs to be known about the cotton fiber itself and how it behaves under chemical processing. And most private companies either cannot afford to invest in this kind of basic—and probably unpatentable—research, or do not have the facilities. Institutions that do have the facilities often do not have the money.

Here is where IIC has stepped in, making cooperative arrangements with leading European fiber and textile research institutes and with universities equipped for textile research. Under these arrangements, many of Europe's finest textile chemists and physicists are





Small as it is, the cotton fiber has been well mapped. Above, a general view; right, how fibers of secondary wall are wound; left, a contrast in cellulose structure, with bits of secondary wall superimposed on sheet of primary wall. (Black marks show scale: 1μ = 1 micrometer—millionth of a meter.)

doing fundamental work on cotton, from which the industry and trade can develop new methods to help the cotton fiber meet the challenge posed by the manmades.

The sophisticated equipment available for today's cotton scientists is revealing more about the cotton fiber than it has ever been possible to know before. For instance, the new scanning electron microscope not only magnifies the fiber section up to 100,000 times, but presents different views of it for a three-dimensional effect. This instrument, as well as infrared and deep X-ray, is being used in IIC's project with the Institut Textile de France.

In this project, the electron microscope confirms one property of the cotton fiber—it is less dense in some areas than in others. This means that the chemical used in a minimum-care finish may penetrate very unevenly; it also means that some parts of the fiber are more susceptible than others to attack by micro-organisms like those responsible for rot, mold, or mildew. The project is seeking further information on this uneven density, to permit more uniform penetration by chemical finishes.

The complex design of the cotton fiber includes inner layers made up of much smaller fibers, or fibrils, wound spirally. At certain points—called reversal points—the fibrils begin winding in the opposite direction. These reversal points are in general 15 to 20 percent weaker than the rest of the fiber, and this weakness can be accentuated by cellulose-deteriorating chemical finishes. The IIC project being carried on with De Meulemeester Laboratory at the University of Ghent, Belgium, is a study of the way various wet-finishing processes affect the reversal points, with a view to devising ways of overcoming this problem.

The maturity of a cotton fiber makes a difference in the way it responds to chemical treatment. Fibers of different maturities in a cotton mix may mean unevenness in dyeing or resin pickup; but current methods for measuring maturity take too long to be practical. IIC's agreement with the Shirley Institute in Manchester, England, calls for devising a fast and accurate way, based on a modification of the Micronaire technique for determining fiber fineness.

New knowledge of the fiber's interior has brought new understanding of some reasons why a high level of minimum-care performance is hard to attain. The goal is to introduce by chemical cross-links at selected points in the fiber desirable properties such as wrinkle resistance and durable press, without sacrificing cotton's own desirable properties.

A major problem is that cotton garments treated with a minimum-care finish are more apt to fray or wear at abrasion points like the collar, cuffs, and knees. One reason shown by research is that cotton very readily absorbs water-base chemicals, so that they are distributed indiscriminately throughout the fiber, binding tightly together most of its molecular chains and making it stiff and brittle. To counter this tendency, the Shirley Institute is examining for IIC various chlorinated drycleaning solvents not so readily accepted by the cellulose. The theory being tested is that these solvents may help achieve "selective" bonding of the molecular chains.

Yellowing and soil retention may accompany minimum-care finishing because it is hard to stop the activity of the catalysts used to trigger the reaction between the chemical and the cotton cellulose. How to turn the catalytic action off after it has attained the desired effect is the subject of an IIC project with the Institute for Textile Chemistry at Reutlingen, West Germany.

Control in the details of wet-finishing treatments such as scouring, bleaching, and mercerizing can have a strong effect on the final properties of a minimum-care fabric. The Vezelinstituut T.N.O. at Delft, the Netherlands, is tackling this subject for IIC in two projects: one, a study of existing processes; the other, a related study of the way these processes affect cotton fiber properties. These studies should aid in the design of improved minimum-care fabrics.

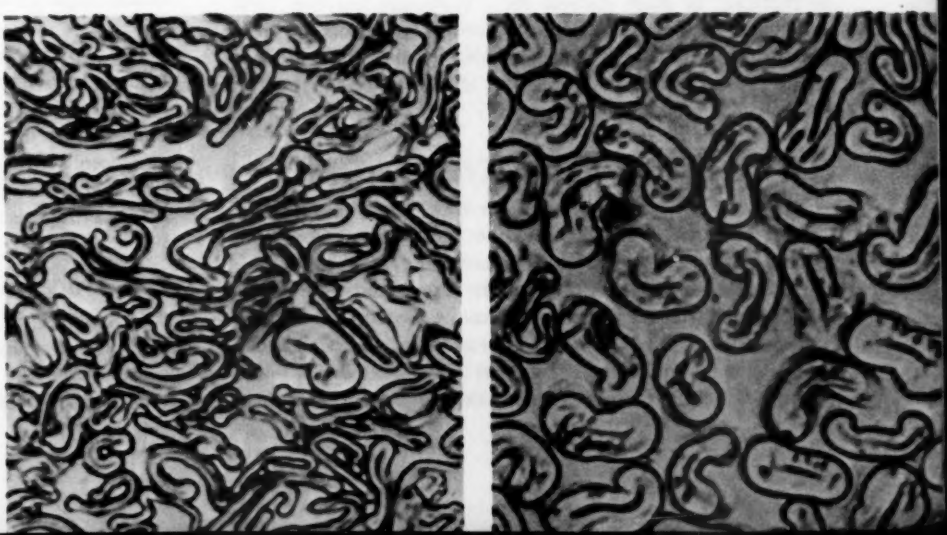
Both in washing and in wearing, a minimum-care garment may be called upon to undergo creasing at temperatures ranging from cold through warm to hot and at humidity levels from dry through damp to dripping wet. How and whether it recovers will depend on the kind of finish used and how it is applied. The Department of Fiber Science at the University of Strathclyde, Glasgow, Scotland, is studying for IIC the creasing behavior of cotton fabrics.

The IIC project with the Federal Institute of Technology, Zurich, Switzerland, is aimed at finding out why formaldehyde—an inexpensive chemical that has long been known to give very good minimum-care properties to cotton fabrics—is so erratic in its results under full-scale processing. Eliminating the causes of this behavior could produce a useful finish much scaled down in cost.

IIC is constantly on the lookout for good and relevant projects that it can agree on with qualified scientists and institutions. To stimulate even more thinking on cotton's problems and possibilities, it is arranging discussion meetings to which leading textile scientists will be invited.

Largest of these will be the International Cotton Research Conference, to be held in Paris in April 1969. IIC and the Institut Textile de France are joint organizers of this, with the International Federation of Cotton and Allied Textile Industries and the Syndicat Général de l'Industrie Cotonnière Française as cosponsors. —J. B.

Fibers, like people, get plumper as they mature; they also behave differently. Immature fibers, like those shown in the cross-section at left below, lack the cellulose that fills out the mature fibers at right. IIC is seeking a rapid test for maturity.



CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Rotterdam offer prices for U.S. hard wheats declined between July 30 and August 6, 1968. The price for U.S. Hard Winter was down 2 cents, while U.S. Spring declined 3 cents. U.S. Soft Red Winter and Canadian Manitoba increased 1 cent. USSR 121 and Argentine prices were unquoted.

U.S. corn was down 4 cents and Argentine corn down by 2 cents, while the price for South African White decreased 6 cents.

Item	August 6	July 30	A year ago
	Dol. per bu.	*Dol. per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	2.02	2.01	2.16
USSR 121	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring, 14 percent	1.88	1.91	2.05
U.S. No. 2 Hard Winter, 14 percent	1.91	1.93	1.98
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.77	1.76	1.72
Corn:			
U.S. No. 3 Yellow	1.21	1.25	1.45
Argentine Plate	1.42	1.44	1.61
South African White	1.39	1.45	(1)

[1] Not quoted.
Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

Australia Takes Steps To Improve Tobacco

Despite difficulties due to the recent drought, funds allocated for tobacco research and extension for 1968-69 in Australia total US$889,392. The sum appropriated was financed from contributions by tobacco growers and manufacturers with matching grants from the Commonwealth and additional donations from governments of tobacco-producing States. In addition to subsidizing continued research and extension, the funds provide for the establishment of a new tobacco research station near Mareeba, Queensland.

Australia's Agricultural Council has approved a scheme for the countrywide registration of new tobacco varieties. Under this plan tobacco varieties will be registered when they are in some respects superior to the tobacco variety to be replaced, or more suitable for a particular purpose. New varieties—coming from breeding programs, selection, and imports—will be tested and screened by the State Departments of Agriculture. Acceptable varieties will then be run through leaf manufacturing trials.

EEC Fixes Common Dairy Export Subsidies

Following the application of the EEC's new dairy regulations on July 29, the Commission for the first time fixed common export subsidy rates for dairy products. Theoretically, subsidies are now uniform for the Community. Rates are differentiated for most items according to area or country of destination. Subsidies are authorized for a host of dairy products under Common External Tariff numbers 04.01 through 04.04 E. Current regulations provide for periodical (monthly) fixing of subsidy rates, but the rates may be changed by the Commission at any time.

Items of principal interest and representative examples of subsidy rates are:

	Export subsidy *Cents per lb.*
Butter—82 percent or more fat:	
To United Kingdom	48.31
To Zone A (African countries)	58.97
To other third countries	60.33
Butter—more than 98 percent fat (butteroil)	73.48
Milk and cream in powder—fat up to 1.5 percent (nonfat dry milk for food):	
To Japan and Zones B (Latin America) and C (Asia and Pacific islands, excluding Australia, New Zealand, and Japan)	10.43
To other third countries	9.07
Denatured (nonfat for feed use)	5.33
Milk and cream in powder—25-27 percent fat (dry whole milk)	19.05
Milk and cream, canned—7 to 8 percent fat (evaporated); concentrated w/sugar — over 7 percent fat (condensed), in containers of at least 1 pound	4.99
Cheese:	
Emmenthal, Gruyere:	
To Switzerland and Austria	11.34
To other third countries	17.24
Bleu cheese, other than Roquefort	13.61
Grana, Parmesan, Pecorino (fat and dry matter more than 30 percent, under 47 percent):	
To third countries (other than Switzerland)	22.68
Cheddar, Chester, 3 months and over (fat 50 percent or more)	30.84

Drought Reduces Jamaica's Sugar Crop

The Jamaican Sugar Manufacturer's Association now estimates sugar production for Jamaica in 1968 (1967-68 crop) at 456,314 long tons (511,972 short tons). This is almost 20,000 tons below earlier estimates. The lower production is attributed to effects of the drought.

Jamaica exports about 475,000 short tons of sugar annually, about half of which goes to the United Kingdom. It was recently proposed that a bulk loading facility be built at Rocky Point on the south central coast. This proposal, however, was rejected by the Jamaican Government.

U.S. Trade in Livestock and Meat Products

Although U.S. imports of livestock and meat products during the first half of 1968 were up relative to year-earlier levels, U.S. cattle prices continue to remain strong. For the same period, total U.S. livestock exports were down as live-

stock production continues to increase in the major importing countries.

All major categories of meat imports increased, but most of this gain was accounted for by boneless beef. Imported boneless beef is used primarily for manufacturing purposes. Continued strong demand for processed meats is reflected by the prices for lower grade beef, which remain well above year-earlier levels. Also, the strong demand for feeder cattle accounts for the increase in live cattle imports.

U.S. IMPORTS OF SELECTED LIVESTOCK PRODUCTS

Commodity	June		Jan.-June	
	1967	1968	1967	1968
Red meats:	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Beef and veal:				
Fresh and frozen:				
Bone-in beef:				
Frozen	447	2,014	1,526	4,706
Fresh and chilled	323	1,565	1,514	8,311
Boneless beef	62,610	89,712	339,531	393,520
Cuts (prepared)	106	124	609	660
Veal	1,499	1,725	8,672	11,215
Canned beef:				
Corned	7,781	6,876	34,326	43,011
Other, incl. sausage	958	1,068	5,995	8,280
Prepared and preserved	2,263	2,502	17,877	30,047
Total beef and veal [1]	75,989	105,584	409,748	499,751
Pork:				
Fresh and frozen	4,463	4,407	23,729	27,401
Canned:				
Hams and shoulders	19,225	19,836	107,590	115,616
Other	3,260	3,896	22,452	21,412
Cured:				
Hams and shoulders	101	107	745	691
Other	343	298	2,060	2,129
Sausage	383	231	1,450	1,198
Total pork [1]	27,776	28,775	158,023	168,447
Mutton and goat	4,677	9,989	26,361	39,163
Lamb	516	2,167	4,696	7,687
Other sausage	553	516	3,311	3,529
Other meats, n.s.p.f.	839	688	7,881	5,662
Total red meats [1]	110,350	147,718	610,022	724,239
Variety meats	178	391	1,534	1,918
Wool (clean basis):				
Dutiable	9,488	8,703	58,725	74,581
Duty-free	6,350	10,285	32,131	57,597
Total wool [1]	15,837	18,989	90,857	132,179
	1,000 pieces	*1,000 pieces*	*1,000 pieces*	*1,000 pieces*
Hides and skins:				
Cattle	10	41	68	212
Calf	48	18	264	198
Kip	47	12	187	113
Buffalo	42	39	212	251
Sheep and lamb	1,864	3,033	11,762	19,734
Goat and kid	530	482	3,944	3,240
Horse	16	12	108	152
Pig	178	36	718	322
	Number	*Number*	*Number*	*Number*
Live cattle [2]	30,973	48,807	336,281	524,397

[1] May not add due to rounding. [2] Includes cattle for breeding.
U.S. Department of Census, Bureau of the Census.

Record meat production in major U.S. export markets was responsible for the decline in U.S. exports of livestock and meat products during the first half of 1968. Nevertheless, several categories showed some improvement—exports of lamb and mutton were up 30 percent, and sausages were up 23 percent. Exports of cattle hides were down for the first half of 1968, but June exports were 35 percent above the level recorded for June 1967.

U.S. EXPORTS OF SELECTED LIVESTOCK PRODUCTS

Commodity	June		Jan.-June	
	1967	1968	1967	1968
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Animal fats:				
Lard	13,532	11,845	85,950	83,617
Tallow and greases:				
Inedible	244,963	188,463	1,154,260	1,119,688
Edible	930	891	11,652	4,368
Meats:				
Beef and veal	2,574	1,851	16,429	13,536
Pork	2,646	2,494	27,480	15,824
Lamb and mutton	116	222	771	1,004
Sausages:				
Canned	86	125	598	734
Except canned	203	248	1,041	1,400
Meat specialties:				
Canned	231	164	1,284	735
Frozen	158	102	1,062	909
Other canned	770	735	4,170	4,423
Total red meats [1]	6,785	5,940	52,837	38,555
Variety meats	19,733	13,624	117,484	100,108
Sausage casings:				
Hog	235	459	2,927	3,162
Other natural	456	312	1,729	1,520
Mohair	1,050	829	5,444	5,269
Hides and skins:				
Cattle parts	3,612	2,141	22,215	16,891
	1,000 pieces	*1,000 pieces*	*1,000 pieces*	*1,000 pieces*
Cattle	758	1,021	6,421	5,966
Calf	120	190	1,097	1,174
Kip	32	25	260	164
Sheep and lamb	396	187	1,862	1,562
Horse	6	6	38	43
Goat and kid	35	23	126	121
	Number	*Number*	*Number*	*Number*
Live cattle	2,281	2,120	20,645	18,015

[1] May not add due to rounding.
Bureau of the Census.

Larger Cotton Crop in Pakistan

Pakistan's cotton production in 1967-68 (August-July) is placed at 2,305,000 bales (480 lb. net), compared with 2,100,000 a year earlier and the 1960-64 average of 1,656,000. This includes about 12,000 bales of the Desi variety produced in East Pakistan. The increase is credited to more acreage, increased use of agricultural inputs, and favorable weather. This record crop was taken from 4,821,000 acres in 1967-68, an increase of about 21 percent from 3,975,000 in 1966-67 and up sharply from the 1960-64 average of 3,499,000. The 258-pound-per acre yield in 1967-68 shows an increase of 4 pounds from last year. Production during the 1968-69 season is tentatively estimated by private trade sources in Pakistan at about 2.5 million bales.

Cotton exports totaled 420,000 bales for the first 7 months (August-February) in 1967-68, compared with 192,000 shipped the same period the previous year. Shipments to major countries of destination during the 7-month period of 1967-68, with comparable data from the previous year in parentheses (in thousands of bales) are: Hong Kong 138

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(67), Japan 84 (37), the United Kingdom 31 (8), Poland 28 (0), West Germany 23 (less than 500 bales), France 17 (8), the Netherlands 13 (2), North Korea 12 (0), and Belgium 10 (1). Pakistan has supplied Mainland China with relatively large amounts of cotton in previous years. However, no cotton shipments were reported for this period in 1967-68.

Consumption of cotton in Pakistan in 1967-68 is estimated at 1,400,000 bales, an increase of 50,000 from a year earlier. Offtake each year has been higher than the previous year since the 175,000 bales used in 1951 by the textile industry, except for 1965-66 when consumption was unchanged from the year earlier. The Government of Pakistan encourages maximum output by textile mills and has placed a capacity tax effective May 1, 1968, on cotton spinning and weaving mills to promote production by taxing capacity to produce even though full capacity is not utilized.

Imports in 1967-68 are expected to be about 18,000 bales, up sharply from 10,000 a year earlier. Stocks on August 1, 1968, are estimated at 513,000 bales, compared with 492,000 last August.

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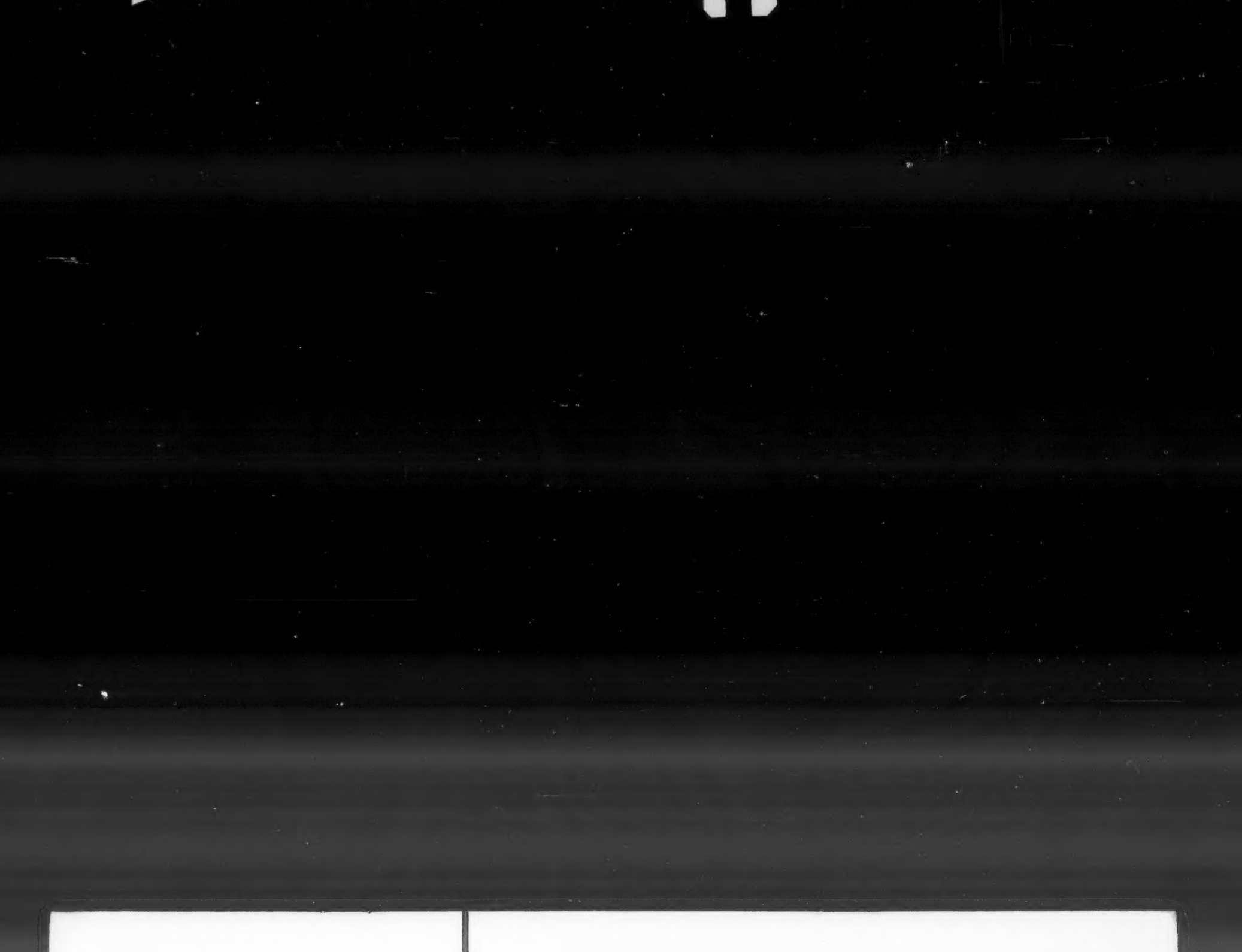
the IGA minimum prices and thus undercut French sales, especially in eastern Europe and the eastern Mediterranean. These markets, which are generally Communist countries or countries that need credit in order to buy, also drive a hard price bargain, which may make it difficult to sell there at the IGA minimum price.

Outlook for 1968

A French wheat crop of about 15 million metric tons is expected now, if the weather is sunny and reasonably warm during the remainder of the harvest. A crop of this size would provide supplies sufficient to permit another year of exports of wheat and flour of well over 4 million tons. Part of these exports may be a large portion of the EEC's share of 1,035,000 tons to be contributed as food aid under the IGA. Presumably, FEOGA funds will be used to pay for all or part of this aid.

Production of durum wheat should be considerably larger than last year's record crop and further reduce imports of durums. However, the U.S. durum should hold a fairly large share of the market because of its amber color, if other quality factors are up to standard. Some French durums will be exported. While the production of Rex variety of hard spring wheat should further increase, it is not expected to entirely replace imported hard spring wheat from the United States, since it does not possess all of the high-quality characteristics of the U.S. wheats.

Although the barley crop will be only slightly smaller than last year's, exports are expected to be down considerably as farmers feed more barley to livestock. To the extent that "denaturing" of wheat increases, however, either more barley will be available for export or imports of feedgrains (principally corn) will be reduced, or there may be some of both.

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